

CITY OF LOS ALTOS

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



LOS ALTOS

TOTAL: \$ 562,863

-20.3%

3Q2020



2.7%

COUNTY



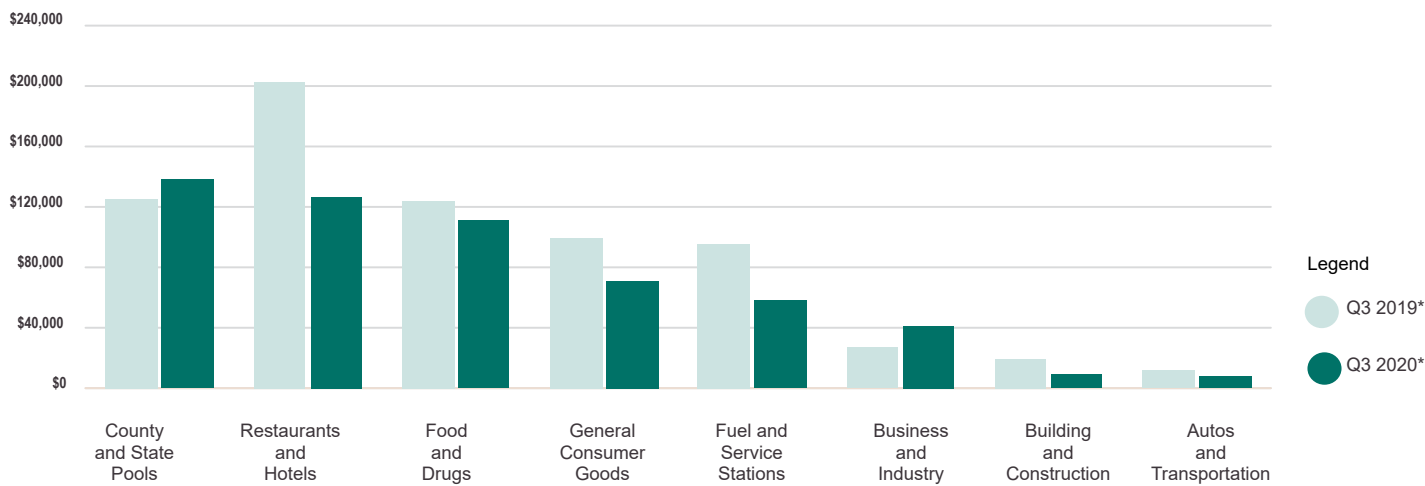
-0.9%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LOS ALTOS HIGHLIGHTS

Los Altos' receipts from July through September were 12.7% below the third sales period in 2019, however, tax payments deferred from last quarter temporarily exaggerated the cash results. Excluding reporting aberrations, actual sales were down 20.3%.

The ongoing pandemic prompted continued poor performance; outcomes reflect the City's sales tax base which is heavily weighted to restaurants-hotels. Casual dining, the City's largest business type, dropped 36.9% due to capacity restrictions. Service stations returns dropped due to a lack of consumption as well as lower gas prices.

There were a few bright spots that helped to lessen the overall declines. A couple of one-time spikes in business-industry boosted that group. Home furnishings posted gains as home improvements

became a priority. The City's allocation from the countywide pool grew by 10.7% boosted by the new revenue from out-of-state online retailers due to the enactment of AB147 combined with increased online sales due to social distancing.

Net of aberrations, taxable sales for all of Santa Clara County grew 2.7% over the comparable time period; the Bay Area was down 5.8%.



TOP 25 PRODUCERS

- 21tech
- Arco AM PM
- Armadillo Willys BBQ & Cafe
- BevMo
- Bicycle Outfitter
- Chef Chus
- Daintree Networks
- Draegers Super Market
- El Camino 76
- Los Altos 76
- Los Altos Chevron
- Los Altos Grill
- Lucky Supermarket
- Main Street Chevron
- Rancho 76
- Rite Aid
- Rustic House
- Safeway
- Securify Us
- Speedway Express
- State of Mind Public House & Pizzeria
- Steinway
- Trader Joes
- Walgreens
- Whole Foods Market



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the

Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

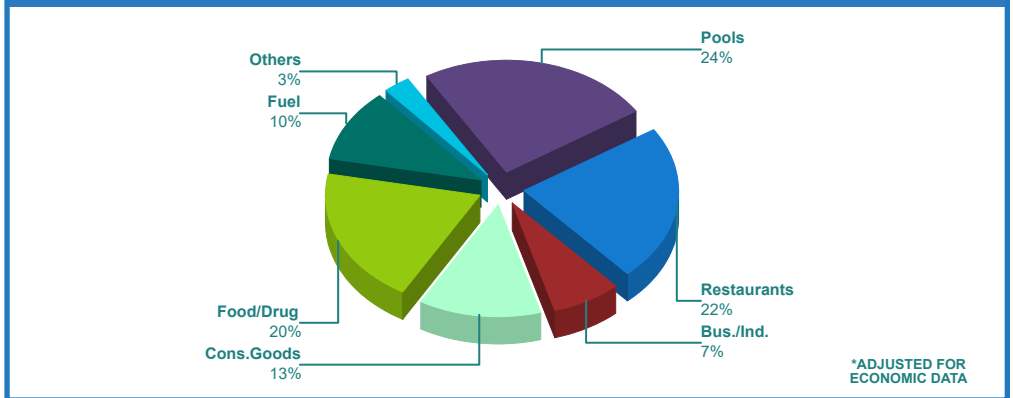
Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base.

Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP

Los Altos This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q3 '20	Change	County Change	HdL State Change
Casual Dining	86,532	-36.9% ↓	-44.2% ↓	-37.9% ↓
Grocery Stores	81,095	-11.5% ↓	-1.0% ↓	7.1% ↑
Service Stations	58,706	-38.4% ↓	-39.7% ↓	-29.0% ↓
Home Furnishings	18,208	20.4% ↑	-18.5% ↓	-3.5% ↓
Fine Dining	16,433	-44.3% ↓	-55.1% ↓	-51.2% ↓
Convenience Stores/Liquor	14,653	7.4% ↑	11.7% ↑	15.0% ↑
Quick-Service Restaurants	11,683	-33.9% ↓	-29.1% ↓	-10.3% ↓
Sporting Goods/Bike Stores	11,038	-4.3% ↓	2.6% ↑	22.1% ↑
Business Services	9,750	260.4% ↑	-33.3% ↓	-18.2% ↓
Specialty Stores	8,800	-43.9% ↓	-24.9% ↓	-8.6% ↓

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